

VZCZCXYZ0003  
RR RUEHWEB

DE RUEHBS #3487/01 3460741  
ZNR UUUUU ZZH  
R 120741Z DEC 07  
FM AMEMBASSY BRUSSELS  
TO RUEHC/SECSTATE WASHDC 6799  
INFO RUCPDOG/USDOC WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCNMEN/EU MEMBER STATES  
RUEHBJ/AMEMBASSY BEIJING 1727  
RUEHRL/AMEMBASSY BERLIN 1604  
RUEHFR/AMEMBASSY PARIS 2040  
RUEHTC/AMEMBASSY THE HAGUE 8576  
RUEHLE/AMEMBASSY LUXEMBOURG 8377

UNCLAS BRUSSELS 003487

SIPDIS

SIPDIS

STATE FOR EB/OIA, EB/TPP/IPE AND EUR/UE  
TREASURY FOR OASIA/ICN - ATUKORALA  
USDOC FOR 4212/OECA/JLEVINE

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINT](#) [EINV](#) [SENV](#) [BE](#) [CH](#)

SUBJECT: BRUSSELS BILAT BREW: December 12, 2007

(U) Summary: The Brussels Bilat Brew gives an overview of the most recent Belgian economic issues. The latest: Belgium has two 'Smart Cities'; Chinese insurance firm invests heavily in Fortis; the rising cost of government bonds; Wallonia's economy may be catching up; and company numbers for each region. End Summary.

-----  
Belgium's 'Smart Cities'  
-----

11. (U) A study published in October by the Vienna University of Technology ranked Ghent (16) and Brugge (20) as two among the top 20 of European 'Smart Cities'. The survey ranked medium-sized (100,000-500,000 inhabitants) cities in Europe, using a system that evaluated the economy, people, governance, mobility, and environment and living circumstances, all of which were based on certain 'smart' characteristics. For example, the characteristics considered for a 'smart economy' were the levels of innovative spirit, entrepreneurship, economic image and trademarks, productivity, flexibility of labor markets and international recognition. Both cities received their highest ratings in the categories of smart living and smart mobility, identifying the high quality of life and accessibility in Belgium as a whole. Overall, the study has the potential to serve as a useful and comprehensive resource for individuals and businesses for investment and relocation purposes in Europe. More information can be found at [www.smart-cities.eu](http://www.smart-cities.eu).

-----  
Chinese Investment in FORTIS  
-----

12. (U) The Chinese Insurance Firm, Ping An Insurance (Group), has announced a \$2.7 billion investment in the Dutch-Belgian bank Fortis NV. Fortis was a member of the three bank consortium which successfully took over the Dutch Bank ABN-AMRO, the largest bank take-over in history. The Ping An investment will give the Chinese firm a 4.2% stake in Fortis. Press reports state that the investment is part of Ping An's strategy to expand its insurance business in its home market in China. It intends to tap Fortis' expertise in selling insurance through its bank branches. For Fortis' part, the Ping An investment helps Fortis recover from its financial exertions in the long, hard-fought ABN-AMRO takeover. Markets agreed, at least initially, driving up the value of Fortis shares by 2% the day the deal was announced.

-----

## Government Crisis Raising Borrowing Costs?

---

13. (U) Luc Coene, currently vice-governor of the National Bank of Belgium, claims that Belgium is paying an economic price for its prolonged political crisis. Coene - in another life chief of staff to PM Verhofstadt - points out that Belgian government bonds are currently priced 25 basic points above similar German bonds (known as bunds), and that this higher interest rate of 6.25 percent costs the Belgian treasury at least 10 million euros per year. However, an inquiry by the Belgian financial press revealed that there is always a higher spread of at least 10 basic points on GOB bonds compared to the German bonds, and that London banks are now even pointing out this difference to prospective buyers, urging them to buy the Belgian bonds, considering the fact that the GOB 'will never go bankrupt'. Additionally, the rating agency Fitch maintains its AA plus rating for the Kingdom of Belgium, adding it sees no reason why Belgium all of a sudden would be unable to repay its outstanding debt.

---

## Is Wallonia Catching Up?

---

14. (U) Since 2000, Wallonia's economy has grown on average 1.8 percent per year. This is slightly higher than that of wealthier Flanders, whose economy grew on average 1.7 percent per year over the same period. Analysts do not attribute Wallonia's growth to the "Marshall Plan" for the region introduced in 2005. Wallonia still lags behind Flanders in overall regional GDP and employment. Average unemployment in Wallonia is cited at 12 percent, compared to an average of six percent in Flanders. (COMMENT: Wallonian growth, however, begins from a lower base. END COMMENT.)

---

## Regional statistics on Company Numbers

---

15. (U) According to Marc Verwilghen, Federal Minister of Economics in the Belgian Parliament, Flanders is the location of 512,580 companies (58% of the total number of companies in Belgium), compared to the Brussels region which has 120,198 (14%) and Wallonia, where there are 240,952 companies (28%). The number of companies that have subsidiaries in more than one region amounts to 9,339 (11%).

FOX